

Gibson Energy Announces 2023 Third Quarter Results

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All financial figures are in Canadian dollars unless otherwise noted

CALGARY, AB, Oct. 30, 2023 /CNW/ - [Gibson Energy Inc.](#) announced today its financial and operating results for the third quarter and nine months ended September 30, 2023.

"With the successful closing of the Gateway Terminal acquisition during the third quarter, Gibson is pleased to report strong results driven by the Infrastructure segment exceeding expectations and Marketing meeting expectations," said Steve Spaulding, President and Chief Executive Officer. "Looking forward we are confident around the outlook for our expanding infrastructure asset base, and will continue to focus on growing long-term, high-quality cashflows. In addition to our improved financial and operational results, we entered into a renewable energy power purchase agreement, with Capstone Infrastructure Corporation and Sawridge First Nation, which demonstrates Gibson's commitment to the low-carbon transition and reaching Net Zero by 2050."

Financial Highlights:

- Revenue of \$3,226 million in the third quarter, a \$574 million or 22% increase relative to the third quarter of 2022, due to increased revenues within the Marketing segment driven by higher volumes, partially offset by lower commodity prices
- Infrastructure Adjusted EBITDA⁽¹⁾ of \$140 million in the third quarter, a \$29 million or 26% increase relative to the third quarter of 2022, primarily driven by the two-month contribution from the newly acquired Gateway Terminal as well as improved performance from the legacy Infrastructure business
- Marketing Adjusted EBITDA⁽¹⁾ of \$24 million in the third quarter, a \$24 million or 50% decrease from the third quarter of 2022, primarily due to lower refined product margins
- Adjusted EBITDA⁽¹⁾ on a consolidated basis of \$150 million in the third quarter, flat relative to the third quarter of 2022, as a result of the factors described above as well as somewhat higher general and administrative expenses
- Net Income of \$21 million in the third quarter, a \$51 million or 71% decrease over the third quarter of 2022, primarily due to the acquisition and integration costs and higher finance costs incurred during the current period as a result of the Gateway Terminal acquisition and related financing activities, partially offset by lower income tax expense and lower depreciation expense in the current period
- Distributable Cash Flow⁽¹⁾ of \$93 million in the third quarter, a \$22 million or 19% decrease from the third quarter of 2022, as a result of the factors described above
- Dividend Payout ratio⁽²⁾ on a trailing twelve-month basis of 61%, below the Company's 70% - 80% target range
- Net Debt to Adjusted EBITDA ratio⁽²⁾ at September 30, 2023 of 4.0x, above the top end of the Company's 3.0x - 3.5x target range due to Adjusted EBITDA including only two months of contribution from the Gateway Terminal; we expect the Net Debt to Adjusted EBITDA ratio to be temporarily elevated until twelve-months of adjusted EBITDA from the Gateway Terminal is reflected in the Company's Net Debt to Adjusted EBITDA ratio

Strategic Developments and Highlights:

- Successfully closed the acquisition of 100% of the membership interests of South Texas Gateway Terminal LLC for a total of U.S.\$1.1 billion, through which Gibson acquired the Gateway Terminal; this purpose-built high-quality crude oil export facility complements and diversifies the Company's existing high quality liquids infrastructure asset base
- Closed the previously announced offering of \$900 million of unsecured medium term notes as well as the offering of \$1.5 billion of 8.70% fixed-to-fixed rate subordinated notes
- The Company released its 2022 sustainability update report and announced it had entered into a 15-year renewable energy power purchase agreement, with Capstone Infrastructure Corporation and Sawridge First Nation, which is expected to meet over 50% of Gibson's annual electricity needs over the period

(1) Adjusted EBITDA and Distributable Cash Flow are non-GAAP financial measures. See the "Specified Financial Measures" section of this release.

(2) Net debt to Adjusted EBITDA ratio and Dividend Payout ratio are non-GAAP financial ratios. See the "Specified Financial Measures" section of this release.

Management's Discussion and Analysis and Financial Statements

The 2023 third quarter Management's Discussion and Analysis and unaudited Condensed Consolidated Financial Statements provide a detailed explanation of Gibson's financial and operating results for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022. These documents are available at www.gibsonenergy.com and at www.sedarplus.ca.

Earnings Conference Call & Webcast Details

A conference call and webcast will be held to discuss the 2023 third quarter financial and operating results at 7:00am Mountain Time (9:00am Eastern Time) on Tuesday, October 31, 2023.

The conference call dial-in numbers are:

- 416-764-8659 / 1-888-664-6392

This call will also be broadcast live on the Internet and may be accessed directly at the following URL:

- <https://app.webinar.net/oyYXKPKmQM>

The webcast will remain accessible for a 12-month period at the above URL. Additionally, a digital recording will be available for replay two hours after the call's completion until November 14, 2023, using the following dial-in numbers:

- 416-764-8677 / 1-888-390-0541
- Replay Entry Code: 105312#

Supplementary Information

Gibson has also made available certain supplementary information regarding the 2023 third quarter financial and operating results, available at www.gibsonenergy.com.

About Gibson

Gibson is a leading liquids infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of liquids and refined products. Headquartered in Calgary, Alberta, the Company's operations are located across North America, with core terminal assets in Hardisty and Edmonton, Alberta, Ingleside, Texas, and including a facility in Moose Jaw, Saskatchewan.

Gibson shares trade under the symbol GEI and are listed on the Toronto Stock Exchange. For more information, visit www.gibsonenergy.com.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information and statements (collectively, forward-looking statements) including, but not limited to, statements concerning Gibson's expanded liquids infrastructure asset base, long-term growth,

high-quality cash flows, commitment to the low-carbon transition and reaching Net Zero by 2050, dividend payment, and growth capital targets and sanction of incremental infrastructure projects, fluctuations in Gibson's Net Debt to Adjusted EBITDA ratio and the timing and drivers thereof, and continued progress in Gibson's sustainability journey. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential" and "capable" and similar expressions are intended to identify forward looking statements. The forward-looking statements reflect Gibson's beliefs and assumptions with respect to,

among other things, dividend payment, Gibson's ability to achieve the anticipated benefits of the acquisition of the Gateway Terminal, the accuracy of financial and operational projections of Gibson following completion of the acquisition of Gateway Terminal, ability to meet growth capital targets and ability to place incremental infrastructure projects into service and the timing thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Information" and "Risk Factors" included in the Company's Annual Information Form and Management's Discussion and Analysis, each dated February 21, 2023 and the Company's MD&A for the three and nine months ended September 30, 2023 and 2022, each as filed on SEDAR+ and available on the Gibson website at www.gibsonenergy.com.

For further information, please contact:

Investors:

Beth Pollock
Vice President, Capital Markets & Risk
Phone: (403) 992-6478
Email: beth.pollock@gibsonenergy.com

Media:

Wendy Robinson
Director, Communications & Brand
Phone: (403) 827-6057
Email: wendy.robinson@gibsonenergy.com

Specified Financial Measures

This press release refers to certain financial measures that are not determined in accordance with GAAP, including non-GAAP financial measures and non-GAAP financial ratios. Readers are cautioned that non-GAAP financial measures and non-GAAP financial ratios do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other entities. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

For further details on these specified financial measures, including relevant reconciliations, see the "Specified Financial Measures" section of the Company's MD&A for the three and nine months ended September 30, 2023 and 2022, which is incorporated by reference herein and is available on Gibson's SEDAR+ profile at www.sedarplus.ca and Gibson's website at www.gibsonenergy.com.

a) Adjusted EBITDA

Noted below is the reconciliation to the most directly comparable GAAP measures of the Company's segmented and consolidated adjusted EBITDA for the three and nine months ended September 30, 2023, and 2022:

Three months ended September 30, (\$ thousands)	Infrastructure		Marketing		Corporate & Adjustments		Total
	2023	2022	2023	2022	2023	2022	
Segment Profit	137,727	109,349	17,900	44,786	-	-	155,6
Unrealized loss on derivative financial instruments	740	-	6,059	2,889	-	-	6,799
General and administrative	-	-	-	-	(14,258)	(10,374)	(14,2
Adjustments to share of profit from equity accounted investees	1,432	2,021	-	-	-	-	1,432
Other	-	-	-	-	-	742	-
Adjusted EBITDA	139,899	111,370	23,959	47,675	(14,258)	(9,632)	149,6
Nine months ended September 30, (\$ thousands)	Infrastructure		Marketing		Corporate & Adjustments		Total
	2023	2022	2023	2022	2023	2022	
Segment Profit	336,483	326,143	123,962	81,705	-	-	460,4
Unrealized gain on derivative financial instruments	740	-	(6,872)	(1,027)	-	-	(6,13
General and administrative	-	-	-	-	(38,677)	(29,960)	(38,6
Adjustments to share of profit from equity accounted investees	4,293	6,042	-	-	-	-	4,293
Other	-	-	-	-	218	742	218
Adjusted EBITDA	341,516	332,185	117,090	80,678	(38,459)	(29,218)	420,1

(\$ thousands)	Three months ended September 30,	
	2023	2022
Net Income	20,633	71,465
Income tax expense	7,678	20,589
Depreciation, amortization, and impairment charges	38,542	37,191
Net finance costs	50,222	16,426
Unrealized loss on derivative financial instruments	6,799	2,889
Corporate unrealized loss on derivative financial instruments	430	-
Stock based compensation	6,455	4,569
Adjustments to share of profit from equity accounted investees	1,432	2,021
Acquisition & Integration Costs	19,959	-
Corporate foreign exchange gain and other	(2,550)	(5,737)
Adjusted EBITDA	149,600	149,413
	Nine months ended September 30,	
(\$ thousands)	2023	2022
Net Income	160,910	159,354
Income tax expense	50,864	47,646
Depreciation, amortization, and impairment charges	94,788	113,645
Net finance costs	80,357	47,112
Unrealized gain on derivative financial instruments	(6,132)	(1,027)
Corporate unrealized loss on derivative financial instruments	430	-
Stock based compensation	15,344	15,427
Adjustments to share of profit from equity accounted investees	4,293	6,042
Acquisition & Integration Costs	19,959	-
Corporate foreign exchange gain and other	(666)	(4,554)
Adjusted EBITDA	420,147	383,645

b) Distributable Cash Flow

The following is a reconciliation of distributable cash flow from operations to its most directly comparable GAAP measure, cash flow from operating activities:

(\$ thousands)	Three months ended September 30, 2022		Three months ended September 30, 2023	
	2023	2022	2023	2022
Cash flow from operating activities	190,015	206,671	419,254	528,254
Adjustments:				
Changes in non-cash working capital and taxes paid	(61,420)	(50,588)	(14,921)	(144,309)
Replacement capital	(12,876)	(7,556)	(25,702)	(15,384)
Cash interest expense, including capitalized interest	(32,290)	(15,771)	(65,677)	(43,527)
Acquisition & Integration Costs	19,959	-	19,959	-
Lease payments	(8,575)	(7,510)	(26,268)	(27,630)
Current income tax	(1,860)	(10,555)	(23,800)	(29,656)
Distributable cash flow	92,953	114,691	282,845	267,748

Twelve months ended September 30,

(\$ thousands)	2023	2022
Cash flow from operating activities	489,312	531,440
Adjustments:		
Changes in non-cash working capital and taxes paid	47,812	(49,631)
Replacement capital	(32,559)	(23,783)
Cash interest expense, including capitalized interest	(81,966)	(57,676)
Acquisition & Integration Costs	19,959	-
Lease payments	(34,035)	(34,638)
Current income tax	(37,218)	(33,568)
Distributable cash flow	371,305	332,144

c) Dividend Payout Ratio

Twelve months ended September 30,

	2023	2022
Distributable cash flow	371,305	332,144
Dividends declared	226,755	213,869
Dividend payout ratio	61 %	64 %

d) Net Debt to Adjusted EBITDA Ratio

	Twelve months ended September 30,	
	2023	2022
Long-term debt	2,645,904	1,551,478
Lease liabilities	67,862	72,151
Less: unsecured hybrid debt	(450,000)	(250,000)
Less: cash and cash equivalents	(54,464)	(72,183)
Net debt	2,209,302	1,301,446
Adjusted EBITDA	557,481	487,407
Net debt to adjusted EBITDA ratio	4.0	2.7

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